BBVA Spain: Management Priorities in the New Environment

Ángel Reglero, BBVA Spain Chief Financial Officer
Disclaimer

This document is only provided for information purposes and does not constitute, nor must it be interpreted as, an offer to sell or exchange or acquire, or an invitation for offers to buy securities issued by any of the aforementioned companies. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by the company in relation to such specific issue. Nobody who becomes aware of the information contained in this report must regard it as definitive, because it is subject to changes and modifications.

This document contains or may contain forward looking statements (in the usual meaning and within the meaning of the US Private Securities Litigation Act of 1995) regarding intentions, expectations or projections of BBVA or of its management on the date thereof, that refer to miscellaneous aspects, including projections about the future earnings of the business. The statements contained herein are based on our current projections, although the said earnings may be substantially modified in the future by certain risks, uncertainty and other factors relevant that may cause the results or final decisions to differ from such intentions, projections or estimates. These factors include, without limitation, (1) the market situation, macroeconomic factors, regulatory, political or government guidelines, (2) domestic and international stock market movements, exchange rates and interest rates, (3) competitive pressures, (4) technological changes, (5) alterations in the financial situation, creditworthiness or solvency of our customers, debtors or counterparts. These factors could condition and result in actual events differing from the information and intentions stated, projected or forecast in this document and other past or future documents. BBVA does not undertake to publicly revise the contents of this or any other document, either if the events are not exactly as described herein, or if such events lead to changes in the information contained in this document.

This document may contain summarised information or information that has not been audited, and its recipients are invited to consult the documentation and public information filed by BBVA with stock market supervisory bodies, in particular, the prospectuses and periodical information filed with the Spanish Securities Exchange Commission (CNMV) and the Annual Report on form 20-F and information on form 6-K that are disclosed to the US Securities and Exchange Commission.

Distribution of this document in other jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. By accepting this document you agree to be bound by the foregoing restrictions.
1. **BBVA Group: Strengths in the new environment**

2. **BBVA Spain: Management priorities**

3. **Takeaways**
BBVA, ready to take advantage of the new industry environment

**Industry themes**

1. **Global growth**

2. **Regulation**

3. **Banking industry transformation**

**BBVA’s strengths**

1. A well-diversified footprint with **leading** franchises

2. Ability to **generate** capital organically

3. **Leading** the change
BBVA has a well-diversified footprint supported by dominant and quality franchises …

**BBVA Group’s 9m15 Net attributable profit**
Breakdown by country (1)

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share (%)</th>
<th>Ranking (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>24.1%</td>
<td>1st</td>
</tr>
<tr>
<td>Spain</td>
<td>14.7%</td>
<td>2nd</td>
</tr>
<tr>
<td>Turkey</td>
<td>11.9%</td>
<td>2nd</td>
</tr>
<tr>
<td>South America (ex Brazil)</td>
<td>10.4%</td>
<td>1st</td>
</tr>
<tr>
<td>USA (Sunbelt)</td>
<td>6.3%</td>
<td>4th</td>
</tr>
</tbody>
</table>

Net Attrib. Profit 9m15 (excl. Corp. Operations) € 2,815 Mn

> 90% of net attributable profit coming from investment grade countries (3), mainly from Mexico and Spain

(1) Pro-forma calculation including a 39.9% stake in Garanti. Figures exclude Corporate Centre. (2) Spain: Other domestic sector + Public sector data as of June, 2015 (BBVA+ Catalunya Banc (CX)); Mexico: data as of July, 2015; South America: data as of June, 2015: ranking considering only our main peers in each country; USA: as of June, 2015 considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of September 2015. (3) Investment grade countries: Spain, USA, Mexico, Chile, Colombia, Peru, Uruguay, China, Turkey (except by S&P) and rest of Europe; Non-investment grade countries: Portugal, Argentina, Paraguay and Venezuela.
... allowing BBVA to maintain resilient profits ...

**BBVA’s operating income vs. provisions and impairment on non-financial assets**

(€ Bn)

- Operating Income
- Provisions and impairments on non-financial assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Provisions and impairments on non-financial assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>9.6</td>
<td>-1.9</td>
</tr>
<tr>
<td>2008</td>
<td>10.5</td>
<td>-3.0</td>
</tr>
<tr>
<td>2009</td>
<td>12.3</td>
<td>-7.0</td>
</tr>
<tr>
<td>2010</td>
<td>11.9</td>
<td>-5.2</td>
</tr>
<tr>
<td>2011</td>
<td>10.6</td>
<td>-6.1</td>
</tr>
<tr>
<td>2012</td>
<td>11.1</td>
<td>-9.1</td>
</tr>
<tr>
<td>2013</td>
<td>10.2</td>
<td>-6.3</td>
</tr>
<tr>
<td>2014</td>
<td>10.4</td>
<td>-4.8</td>
</tr>
<tr>
<td>9m15</td>
<td>8.5</td>
<td>-3.5</td>
</tr>
</tbody>
</table>

... even under stressed scenarios
Regulatory environment: despite considerable increase in capital levels in recent years ...

- Since 2007, banks have increased their capital ratios in a significant manner.

From Basel II ...

- $\sim 6\%$
  - %CET1 BIS II (2007) (1)

... to Basel III

- $\geq 10\%$
  - %CET1 BIS III FL (2014) (1)

The focus is now on harmonization (CET1, RWAs), resolution and taxpayer protection.

- Pillar II
- CET1 harmonization
- Basel IV (RWAs)
- TLAC/ MREL
- IFRS 9

... still unclear impact of the implementation of new proposals

(1) %CET1 average, including BBVA and its European Peer Group (BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG).
BBVA has a proven ability to generate capital organically.

**Solvency**
BBVA Group (Sept.15)

**CET1 capital ratios**
- **Fully-loaded**: 9.8%
- **Phased-in**: 11.7%

**Leverage Ratio**
- **Fully-loaded**: 5.7%

**Organic capital generation**
BBVA Group

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2014 quarterly average</th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
</tr>
</thead>
<tbody>
<tr>
<td>CET1 capital ratio fully-loaded</td>
<td>8 bps</td>
<td>11 bps</td>
<td>12 bps</td>
<td>11 bps</td>
</tr>
</tbody>
</table>

>10 bps per quarter

Disciplined capital management as a key priority.
BBVA stands out among its peers for the quality of its capital

**RWAs / Total Assets (%)**

- **BBVA**: 53%
- **European Peers average**: 33%

**Leverage ratio (%)**

- **BBVA**: 5.7%
- **European Peers average**: 4.3%

(1) CRDIV fully-loaded. Within the European Peers average for the leverage ratio, CASA e ISP do not publish their leverage ratio.

European peer group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS and UCG. European peer data as of Jun.15 vs. BBVA as of Sept.15

Well prepared for the harmonization process
BBVA ahead of its peers in the industry transformation process

Top Management commitment

Global approach

Ready to benefit from the investment in technology

Strategic Priorities:

1. New standard in customer experience
2. Drive digital sales
3. New business models
4. Optimize capital allocation
5. Unrivaled efficiency
6. A first class workforce

Customer at the center of all strategic decisions
1 BBVA Group: Strengths in the new environment

2 BBVA Spain: Management priorities

3 Takeaways
Economic growth: Spain will continue growing more than Eurozone

**GDP Growth (%)**

- **Spain**
  - 2013: -1.2%
  - 2014: 1.4%
  - 2015e: 3.2%
  - 2016e: 2.7%

- **Eurozone**
  - 2014: 0.9%
  - 2015e: 1.5%
  - 2016e: 1.9%

**Source:** BBVA Research

**Strong contribution of internal demand, highlighting the recovery of investment in machinery and equipment**

**Expansionary monetary and fiscal policies, and low oil prices support Spanish recovery**

**EUR/USD depreciation benefits exports**

The recovery of domestic demand key for new loan production growth
Challenges and opportunities in the new banking business environment

Historically low Interest rates

Euribor 12 month rate

Source: Bloomberg

Early signs of demand recovery

New loan production in Spain
9M15 vs 9M14

16.3% 14.6% 26.3%

Total loans Commercial loans Retail loans

Source: Bank of Spain

Competitive landscape

✓ Banks’ focus on capturing solvent demand impacting customer spreads

Regulation

✓ Impact on future profitability still unclear

New customer expectations and behaviours

✓ Mobile & internet transforming society

New competitors with new value propositions

✓ Fintech start-ups disaggregating the value chain

✓ Digital players
BBVA Spain well positioned to benefit from the new environment

**BBVA Spain management priorities**

1. Profitable growth
2. Risk management
3. Transformation

**Net attributable profit market share**

<table>
<thead>
<tr>
<th></th>
<th>9M14</th>
<th>9M15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.3%</td>
<td>16.3%</td>
</tr>
</tbody>
</table>

Above BBVA’s business volume market share

(1) Market share considering the following peers: CABK, SAN (Spain + RE), SAB, POP, BKIA and BKT
In the new environment, banks need higher market share to be profitable.

BBVA has gained market share organically and through acquisitions...

**Retail customer market share**

- **2011**: 10.4%
- **2012**: 10.7%
- **2013**: 11.1%
- **2014**: 12.2%
- **2015**: 14.1%

**Catalunya Banc acquisition**
- +40 pbs
- +70 pbs
- +180 pbs

**Unnim acquisition**
- +40 pbs
- +10 pbs

**Source:** FRS Inmark, first supplier share.

... being one of the leaders in the Spanish banking industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross loans</th>
<th>Customer funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>10.4%</td>
<td>1.8%</td>
</tr>
<tr>
<td>2012</td>
<td>11.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>2013</td>
<td>11.8%</td>
<td>12.9%</td>
</tr>
<tr>
<td>2014</td>
<td>12.2%</td>
<td>12.1%</td>
</tr>
<tr>
<td>2015</td>
<td>14.1%</td>
<td>13.9%</td>
</tr>
</tbody>
</table>

**Source:** Gross Loans (Other domestic sector+Public Sector Loans) and customer funds (deposits, mutual and pension funds) based on Bank of Spain data as of June 2015.
Deleveraging process coming to an end

Slight loan decrease explained by public sector and residential mortgages

Gross loans evolution (1)
BBVA Spain Banking Activity, ex-CX

-8.8%
-3.7%
-1.5%
-2.3%

(1) Gross loans excluding Repos

Commercial banking already growing the stock

Gross loans evolution
YTD evolution Sept 15, ex-CX

1.1%
0.3%

Large companies
SMEs

Retail banking: strong new loan production growth

New loan production by segment
Monthly average ex-CX (€ Bn)

Residential mortgages

Consumer loans

Small businesses

(1) Gross loans excluding Repos
A more profitable mix of customer funds

**Customer funds evolution, ex-CX**
BBVA Spain Banking Activity (€ Bn)

- 2014: 169.8
- 2015: 166.1

**Cost of time deposits, ex-CX**
Average cost on the last month of the quarter (%)

- June 14: 1.61
- Sept 14: 1.41
- Dec 14: 1.27
- March 15: 1.12
- June 15: 0.93
- Sept 15: 0.74

**New time deposits**
26bps (Sept 15)

**Average fee on mutual funds, ex-CX**
Quarterly average (%)

- 2Q14: 1.03
- 3Q14: 1.06
- 4Q14: 1.07
- 1Q15: 1.12
- 2Q15: 1.16
- 3Q15: 1.15
Net interest income growth driven by improvement in customer spread …

Customer spread evolution
BBVA Spain Banking Activity (in %)

Net Interest Income evolution
BBVA Spain Banking Activity (€ Bn)

... loan demand recovery as the next key variable

(1) Customer spread including CX since integration in April 24th
Revenue diversification in a low interest rate environment

**Net Fees and Commissions**
BBVA Spain Banking Activity (€ Bn)

- **9M14**: 1,086
- **9M15**: 1,219

**Gross Income**
BBVA Spain Banking Activity (€ Bn)

- **9M14**: 4,879
- **9M15**: 5,147

**CX Contribution**

- **9M14**: +5.9%
- **9M15**: +12.3% incl. CX
- **9M14**: +5.5%
- **9M15**: +10.4% incl. CX
Ongoing cost control improvement

Efficiency ratio excluding Net Trading Income
BBVA Spain Banking Activity (%)

- 37 bps

9M14 9M15
52.3% 52.0%

Efficiency improvement despite:

- Catalunya Banc consolidation in 2015
- Reallocation of expenses from the Corporate Center to Spain in 2015

CX integration allows for additional cost savings
Risk indicators continue to evolve favorably

NPLs
Spain Banking Activity + RE (€ Bn, ex-CX)

<table>
<thead>
<tr>
<th>Year</th>
<th>NPLs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 14</td>
<td>19.8</td>
</tr>
<tr>
<td>Sept 15</td>
<td>17.2</td>
</tr>
</tbody>
</table>

-13.1%

Loan Loss Provisions and Cost of Risk
Spain Banking Activity + RE (€ Bn, ex-CX)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,974</td>
</tr>
<tr>
<td>2015e</td>
<td>80-85 bps</td>
</tr>
<tr>
<td>2017e</td>
<td>-50 bps</td>
</tr>
</tbody>
</table>

Cost of risk normalization as the key P&L driver
Improving dynamics in the Spanish Real Estate market

Housing prices have bottomed-out

House price evolution
YoY (%)

-15%  -10%  -5%  0%  5%  10%  15%

Mar 06  Jun 08  Sept 10  Dec 12  Mar 15  Jun 17

Source: BBVA estimates based on Ministry of Public Works and Transport data.

Demand is growing from very low levels

Residential homes sales
Quarterly moving average (in thousands of units)

Source: BBVA and INE.

Reduction of unsold stock continues thanks to demand recovery in the absence of new home building
BBVA gradually decreasing its Real Estate exposure ...

BBVA’s Real Estate Net exposure (1)
(€ Bn)

<table>
<thead>
<tr>
<th></th>
<th>Sept 14</th>
<th>Sept 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.3</td>
<td>12.8</td>
<td></td>
</tr>
</tbody>
</table>

-11.3%
-3.2 incl. CX

BBVA’ Real Estate Net Attributable Profit
(€ Mn)

<table>
<thead>
<tr>
<th></th>
<th>9M14</th>
<th>9M15</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 636</td>
<td>- 407</td>
<td></td>
</tr>
</tbody>
</table>

-36.0%

... while significantly improving the P&L contribution

(1) Net of provisions exposure based on Bank of Spain transparency criteria (Circular 5-2011). Data include developer loans and foreclosed assets.
### BBVA Spain Banking Activity

<table>
<thead>
<tr>
<th></th>
<th>9M15 € mn</th>
<th>Growth 9M15 vs 9M14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Abs.</strong></td>
<td></td>
<td>%</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>3,000</td>
<td>+ 165</td>
</tr>
<tr>
<td>Gross Income</td>
<td>5,386</td>
<td>+ 507</td>
</tr>
<tr>
<td>Costs</td>
<td>-2,375</td>
<td>- 238</td>
</tr>
<tr>
<td>Operating Income</td>
<td>3,010</td>
<td>+ 269</td>
</tr>
<tr>
<td>Income Before Tax</td>
<td>1,565</td>
<td>+ 383</td>
</tr>
<tr>
<td><strong>Net Attributable Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain Banking Activity</td>
<td>1,101</td>
<td>+ 267</td>
</tr>
<tr>
<td><strong>Net Attributable Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain Real Estate</td>
<td>-407</td>
<td>+ 229</td>
</tr>
<tr>
<td><strong>Net Attributable Profit SPAIN</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking Activity + RE</td>
<td>694</td>
<td>+ 496</td>
</tr>
</tbody>
</table>
Banks must adapt to the new landscape. BBVA’s transformation plan is based on 4 pillars:

1. Superior quality of service
2. New customer experience
3. Digital sales
4. Distribution model evolution

New customer expectations and behaviors:
- Omni-channel
- Mobility
- Customization
- Transparency
- Real time
- Smart Data

New industry players:
- Fintech startups: Square, Personal Capital, wealthfront, DWolla, Karma, OnDeck, LendingClub, Coinbase, SIMPLE
- Digital Players: Facebook, Amazon, Google
BBVA moving ahead in the transformation of its distribution model

**New distribution model**

- Digital Sales
- Retail Banking Center (RBC)

- Remote advisor
- Dependent branch

- Ongoing transformation of **branch network**: Hub & Spoke model

- RBCs managing the **new relationship model**: integrating face-to-face, remote advisors and digital sales

- RBCs manager responsible for the **customer flow management**: improving convenience and efficiency

**BBVA Spain: Number of Retail Banking Centers**

<table>
<thead>
<tr>
<th></th>
<th>Dec 13</th>
<th>Sept 15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>344</td>
<td>280</td>
</tr>
<tr>
<td>% change</td>
<td>-19%</td>
<td></td>
</tr>
</tbody>
</table>

**BBVA Spain: % of Retail Banking Centers with >5 branches under its influence**

<table>
<thead>
<tr>
<th></th>
<th>Dec 13</th>
<th>Sept 15</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Note: Retail Banking Centers in urban areas
New customer experience: mobile as the key relationship device

From a face-to-face approach to an **Omnichannel vision**

Transformation of the **added value offer**: Increasing the catalogue of non face-to-face products and solutions

**Added Value offer**

- BBVA Wallet
- Digital products signing
- Digital servicing
- Mobile commercial campaigns

**Retail Banking Center (RBC)**
Client digitalization, driver of digital sales growth

Increase the number of digital clients

**Digital Customers**
BBVA Spain – in millions

- 2012: 1.8
- 2013: 2.2
- 2014: 2.6
- Sept 15: 2.8

$x \times 1.6$

**Mobile Customers**
BBVA Spain – in millions

- 2012: 0.6
- 2013: 1.1
- 2014: 1.5
- Sept 15: 1.7

$x \times 2.7$

Digitize current **existing customers** through Retail Banking Centers

Boost **client acquisition** through digital channels
Digital sales as an additional source of business

**Consumer loans**
% of new loans through digital channels (in number of loans)

- Jan.15: 9.3
- Mar.15: 10.3
- Jun.15: 17.9
- Sept.15: 23.7

**Contributions to mutual funds**
% of contributions through digital channels (in number of contributions)

- Jan.15: 15.7
- Mar.15: 15.9
- Jun.15: 15.7
- Sept.15: 20.5

**Contributions to pension funds**
% contributions through digital channels (in number of contributions)

- Jan.15: 17.2
- Mar.15: 25.6
- Jun.15: 23.7
- Sept.15: 23.5

**Purchase and sale of domestic equities**
% of operations through digital channels (in number of operations)

- Jan.15: 65.7
- Mar.15: 70.5
- Jun.15: 65.7
- Sept.15: 67.7

(1) Include equities, warrants, and ETFs
Outstanding customer satisfaction

Digital clients

Online banking customer satisfaction
BBVA Spain vs. peer group (1)

<table>
<thead>
<tr>
<th></th>
<th>Peer 1</th>
<th>BBVA</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>81%</td>
<td>79%</td>
<td>#2</td>
<td>76%</td>
<td>75%</td>
<td>70%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Mobile banking customer satisfaction
BBVA Spain vs. peer group (1)

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>78%</td>
<td>74%</td>
<td>73%</td>
<td>69%</td>
<td>63%</td>
<td>58%</td>
<td></td>
</tr>
</tbody>
</table>

Total retail clients

Customer satisfaction: General Satisfaction Index (2)
BBVA Retail Banking

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>9M15</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.07</td>
<td>8.32</td>
<td>8.50</td>
<td>8.58</td>
<td>8.61</td>
<td></td>
</tr>
</tbody>
</table>

Number of claims in Spain
Yearly claims (3)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>9M15</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,666</td>
<td>2,081</td>
<td>1,801</td>
<td>1,331</td>
<td>1,238</td>
<td>1,076</td>
</tr>
</tbody>
</table>

Claims market share: 2.6%

Notes:
(1) Source: FRS Inmark Report 2015. Reference group: BKIA, CABK, POP, SAB, SAN.
(2) General Satisfaction Index as the average of customer interviews ranking their satisfaction from 0 to 10.
Note: All data in this page refer to BBVA excluding Catalunya Banc.
1 BBVA Group: Strengths in the new environment
2 BBVA Spain: Management priorities
3 Takeaways
BBVA has built a sustainable competitive advantage, not easily replicated

- **Resilient growth** thanks to a well-diversified footprint with leading franchises

- **High quality capital** and sustainable **organic generation**

- **Leading** the industry **transformation**, placing **customers at the center** of our strategy

- **BBVA Spain**, increasing contribution to the Group’s P&L
  - Deleveraging process coming to an end
  - Cost of Risk normalization as the main P&L driver
  - Transformation of the distribution model to offer the best customer experience
BBVA Spain: Management Priorities in the New Environment

Ángel Reglero, BBVA Spain Chief Financial Officer